Restrictions on ECB

†3543. DR. MURLI MANOHAR JOSHI:
SHRI RAM JETHMALANI:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that it is a must to restrict the circulation of money in order to check the inflation in the country;

(b) if so, the details in this regard and Government's reaction thereto;

(c) whether it is also a fact that certain restrictions are being considered t6 be put on External Commercial Borrowing with regards to above said measure; and

(d) if so, the details in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) As Inflation is a manifestation of the demand-supply gap, concerted efforts are required to check inflation. While monetary policy attempts to moderate demand, the supply side is strengthened by the Government through fiscal measures and improvements in the distribution system.

(b) As part of its monetary policy, RBI has, from time to time, announced changes in the policy rates as warranted to regulate liquidity. During 2006-07, the repo rate was raised on five occasions (June, July, October, 2006 and January and March 2007) by 25 basis points each time to reach a level of 7.75 per cent. The reverse-repo rate was raised from 5.75 per cent to 6.00 per cent in July 2006; the CRR was raised four times by 25 basis points on each occasion (December 2006, January, February, and March 2007) to reach a level of 6.00 per cent. During 2007-08, the CRR has further been revised upward by 25 basis points each effective April 14, 2007 and April 28, 2007, respectively.

(c) The approach towards External Commercial Borrowing is calibrated to take into account the emerging market situation on an ongoing basis.

(d) As on date, there has been no comprehensive change in the ECB guidelines announced by the RBI in August, 2005.

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†Original notice of the question was received in Hindi.